

## **Interest Rate for Agricultural Lands as Required by Idaho Code Section 63-602K for the 2005 Assessment Year**

The 1998 Legislature amended Idaho Code section 63-1705 requiring the use of the farm credit system's interest rate for the capitalization process in the appraisal of forestland. Therefore, the Tax Commission must use the rate from the Spokane and Omaha Districts, which serve Idaho. This rate is published by the Internal Revenue Service (IRS) in its computation of agricultural land value for estate tax purposes. Idaho Code section 63-1705 refers to section 2032A of the Internal Revenue Service Code. The published 2004 rate in IRS Rule 2004-63 is a **five-year** average annual rate for all new long-term farm credit system loans. Idaho Code section 63-602K requires the assessor to use **the rate of interest charged by the Omaha/Spokane offices for the farm credit system averaged over the past five years, plus a component for the local tax rate.**

The only difference between the rate prescribed by Idaho Code sections 63-1705 and 63-602K is the requirement in Idaho Code section 63-1705 to add a factor of 0.85 % for the appraisal of forestland to the rate.

For consistency in the valuation of forest and agricultural lands, the Tax Commission uses the annual rate published under section 2023A of the Internal Revenue Service Code for the appraisal of agricultural land. The rate for assessment year 2005 is as follows:

**The statutory interest rate, under Idaho Code section 63-602K, is 6.64% for assessment of qualifying land on the 2005 assessment roll.**

**Add the 6.64% rate to the current tax rate selected for the code area where appraisals are made. This total is the capitalization rate for agricultural lands for 2005, as required by Idaho Code section 63-602K.**